

**SEDRO-WOLLEY SCHOOL DISTRICT No. 101**  
**Skagit County, Washington**  
**September 1, 1992 Through August 31, 1993**

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**Schedule Of Findings**

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1. District Should Improve Controls Over Its Cash Receipting System

Our audit revealed the following weaknesses in the district's receipting system:

- a. The middle school notes the mode of payment on receipts; however, if the receipt is comprised of both checks and cash the amount of each is not recorded. As a result, the examiner was unable to verify if all deposits were made intact.
- b. Reconciliations of expected revenues to actual revenues are not being made at either the middle school or the high school for the school lunch program or for the Associated Student Body soft drink revenue at the middle school.

RCW 43.09.200 states in part:

. . . The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

School officials did not understand or realize the significance of these controls. District officials were unaware that these controls had not been implemented.

Poor internal controls result in decreased accountability over cash receipts and an increased risk that errors and irregularities may occur and not be detected in a timely manner, if at all. Additionally, it reduces the reliability of financial data produced by such a system.

We recommend the district improve its receipting system by implementing the following internal controls:

- a. Recording the check and cash composition on all receipts and reconciling to the check and cash composition of the deposits.
- b. Performing reconciliations of expected revenues to actual revenues received and following up on unusual results.

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**Schedule Of Federal Findings**

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1. Payroll Charges To Federal Programs Should Be Based On Actual Time Worked

Payroll expenditures for fiscal year 1993 charged to the Department of Education's ESSIA Chapter 1 program (CFDA 84.010) did not comply with federal regulations. Charges to the Chapter 1 program were based on budgeted rather than actual time worked. Adequate time and effort documentation existed for the employees tested; however, charges were not based on this documentation. We tested five employees out of approximately twenty-four non-substitute employees charged to the Chapter 1 program in fiscal year 1993. Of those employees tested, we noted two instances in which the time charged to the program differed from the actual time worked as documented on the employee's schedules. The exceptions resulted in a net undercharge to the Chapter 1 program, and accordingly, there are no questioned costs associated with this finding.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles Applicable to Grants and Contracts*, states in part:

Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records. The method used should produce an equitable distribution of time and effort.

The prior administrator for the Chapter 1 program is no longer with the district. It appears that the prior administrator did not understand the requirements governing allowability of expenditures.

We recommend that the district allocate charges to the Chapter 1 program based on actual rather than budgeted amounts.